

FFN

100-113084

05 DEC 1984

Employer Identification Number: [REDACTED]
Key District: [REDACTED]


RECEIVED
DISTRICT DIRECTOR OF INTERNAL REVENUE
APR 25 1984
GENERAL INVESTIGATIVE DIVISION


Dear Applicant:


We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information provided indicates that you are organized and operated for the following purposes and activities:

1. Bring together importers/exporters, farmers and manufacturers of both worlds.
2. Promote and foster a friendly intercourse between business and professional persons of both worlds.
3. Organize corporate orientation and training for U.S. business persons to assist them in their dealing with prospective overseas business persons.
4. Establish suitable connections between sellers and buyers of both worlds through direct correspondence, and periodic circulation of trade opportunity releases.
5. Promote action in the public and private sectors geared to enhancing trade and investment relations between U.S. and the Third World countries.
6. Engage in promotional activities through news media, publication of brochures, quarterly newsletters, and cooperative efforts with other domestic and foreign organizations with similar purposes and objectives.
7. Encourage high standard of business conduct among members and between members and others.
8. Design and offer educational conferences, seminars and workshops in the United States and in selected Third World countries. Such educational programs will dwell on how to do business in the Third World countries and/or in the United States.

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9. Maintain a central clearinghouse of information useful to agents, importers, exporters, farmers, manufacturers, and others. Such information will include desirable business contacts abroad, desirable markets for products, suggestions for those interested in visiting Third World countries, introduction to contacts in selected Third World markets, translation services, etc.
 10. Members will be informed of inquiries received from the U.S. and/or from Third World countries about the products and/or services they offer. Also visiting business persons will be referred and you will arrange all such meetings.
 11. Aid members in planning business trips by providing them with marketing information, contact persons in the area, letters of introduction and a host of other services geared to meeting members needs.
 12. Provide members with legal and legislative information affecting overseas trade in selected nations of Africa, Asia, the Caribbean and Latin America.
 13. Provide reference library including daily newspapers and periodicals published in selected Third World countries.
 14. Publish U.S./Third World classified trade directory listing U.S. business interests in the Third World.
 15. Publications - members will receive U.S. - Third World Trade Review, a bi-monthly review of the Council. The review will feature reports on significant business trends and economic developments in a specific country. Also covered will be major projects coming up which offer great potential to U.S. business persons. Planned activities will be reported. New members, including their activities will be featured. Trade leads are published.
 16. Sponsor trade missions to and from specific Third World countries. Such mission will provide American business persons and their Third World counterparts the occasion to meet with representatives from the government and the private sectors as well as acquire first hand knowledge of business, economic and political trends which impact business in the countries of the Third World.
 17. Provide consultative, advisory, and management informational services to members.

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18. Conduct special studies and investigations relating to U.S. trade and investment in specific Third World countries.
 19. Support annual trade fairs to create continued awareness in the business community of international trade and investment opportunities in the Third World countries.
 20. Promote and encourage joint venture operations between the U.S. and Third World countries.
 21. Develop and provide a wide range of expertise to medium start-up operations in the Third World countries.

In your letter dated  you provided additional information about some of these activities. You will offer training to U.S. business persons to assist them in dealing with overseas clients. For members only, you intend to bring together buyers and sellers by means of direct correspondence and circulation of information on trade opportunities. You also plan to maintain, for your members only, a clearing-house for information useful to businesses dealing in international trade. You plan to refer specific inquiries concerning products and services to your members, help them plan business trips, and provide them with legal and legislative information. Many of your activities are thus directed toward creative and improving business opportunities for your members.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1 of the Income Tax Regulations states that to be tax exempt, an organization must be both organized and operated exclusively for one or more exempt purposes specified in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(b) of the regulations states that, in general, an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

[REDACTED]

In meeting the organizational test, the organization's purposes, as stated in its articles, may be as broad as, or more specific than, the purposes stated in section 501(c)(3). An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in section 501(c)(3). Thus, an organization that is empowered by its articles "to engage in the manufacturing business", or "to engage in the operation of a social club" does not meet the organizational test regardless of the fact that its articles may state that such organization is created "for charitable purposes within the meaning of section 501(c)(3) of the Code."

Section 1.501(c)(3)-1(c) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d) of the regulations states that, in general, an organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

- (a) Religious,
- (b) Charitable,
- (c) Scientific,
- (d) Testing for public safety,
- (e) Literary,
- (f) Educational, or
- (g) Prevention of cruelty to children or animals.

An organization is not organized or operated exclusively for one or more of the purposes specified above unless it serves a public rather than a private interest. Thus, to meet the requirement it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations states that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense.

Section 1.501(c)(3)-1(d)(3) of the regulations states that the term "educational" as used in section 501(c)(3), relates to --

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the regulations defines a business league as an association of persons having a common business interest, the purposes of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. That regulation also states that a business league's activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 69-632, 1969-2 C.B. 120, holds that a nonprofit organization composed of members of a particular industry to develop new and improved uses for existing products of the industry is not exempt under section 501(c)(3) of the Code but may qualify for exemption under section 501(c)(6).

Rev. Rul. 71-503, 1971-2 C.B. 232, holds that a city bar association is not exempt from federal income tax under section 501(c)(3) of the Code. The association conducted a number of activities primarily directed at the promotion and protection of the practice of law. These activities were found not to be in furtherance of charitable or educational purposes. That ruling relied in part on the principle, expressed in *Better Business Bureau of Washington, D.C., Inc. v. United States*, 326 U.S. 279 (1945), *Cr. O.* 1650, 1945 C.B. 375, that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption regardless of the number or importance of statutorily exempt purposes. The same result was reached in Rev. Rul. 71-504, 1971-2 C.B. 231, which involved a city medical society carrying on substantial activities directed at promotion of the medical profession.

Rev. Rul. 80-237, 1980-2 C.B. 165, holds that the described lawyer referral service is not exempt under section 501(c)(3) of the Code, but is exempt as a business league under section 501(c)(6). A nonprofit lawyer referral service arranges at the request of any member of the public an initial half-hour appointment for a nominal charge with a lawyer whose name is on an approved list maintained by the organization. Any further contact between the lawyer and the client is arranged without the involvement of the organization.

[REDACTED]

You have provided, as a description of your proposed activities, a list of general activities a number of which are not, on their face, benefiting the public within the meaning of section 501(c)(3) of the Code - e.g. you will aid members in planning business trips by providing them with marketing information, contact persons in the area, letters of introduction and a host of other services geared to meeting needs, and you will provide consultative, advisory, and management informational services to members. A number of your activities do appear to be educational within the meaning of section 501(c)(3); others, such as encouraging high standard of business conduct among your members appear to be section 501(c)(6) activities. As such, the circumstances in your case are similar to those of organizations described above in Rev. Ruls. 69-632, 71-505, and 80-287.

Based upon the above we have determined that you are not organized and will not be operated exclusively for exempt purposes within the meaning of section 501(c)(3) of the Code. Accordingly, we are unable to recognize you as exempt under that section.

You have the right to protest this ruling if you believe that it is incorrect. To protest you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted in duplicate within 21 days from the date of this letter and must be signed by one of your principal officers. You also have a right to a conference in this office after the statement is submitted. If you want a conference, you must request it when you file the protest statement. If you are to be represented by someone who is not one of your principal officers, that person must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 21 days, this ruling will become final and copies will be forwarded to the District Director, Baltimore, Maryland, which is your key district director for exempt organization matters. Thereafter, any questions about your federal income tax status or the filing of tax returns should be addressed to that office.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(e)(2) of the Internal Revenue Code provides, in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

[REDACTED]

When reading additional letters with respect to this case to the Internal Revenue Service you will expedite their receipt by placing the following symbols on the envelope: OP:R:EO:T:R:1, Room 6508. These symbols do not refer to your case but rather to its location.

Sincerely yours,

(Signed) [REDACTED]

[REDACTED]
Chief, Rulings Section
Exempt Organizations
Technical Branch

cc: [REDACTED]
[REDACTED]

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APR 24 1984

District Director of Internal Revenue
1970 Division Group 7204
Camden